

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



September 12, 2006

COUNTY FISCAL LETTER (CFL) NO. 06/07-04

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY WELFARE FISCAL OFFICERS
ALL COUNTY AUDITOR CONTROLLERS
ALL COUNTY PROBATION OFFICERS

SUBJECT: DONATED FUNDS AS COUNTY MATCH FOR STATE GENERAL
FUNDED (SGF) PROGRAMS

This letter is to advise counties of the California Department of Social Services (CDSS) policy for the use of funds donated by a local non-profit organization as the county match for non-federally funded programs. Specifically, this policy applies when a non-profit organization providing the county match will also be the agency providing the services under contract with the county. While it is clear that federal rules require an arms-length relationship with any organization donating funds to the county as outlined in CFL No. 03/04-22, CDSS will allow counties, under specified conditions, to enter into a contract to provide services for a SGF program with a non-profit organization that is also donating the county match.

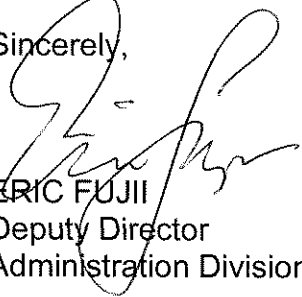
State procurement policies and procedures governed under the Manual of Policies and Procedures (MPP) Section 23-650.1 require advertisement and competitive bidding unless certain exceptions exist. The offer or willingness of a non-profit organization to provide the county match to draw down SGF does not fall under these exceptions. However, if during the procurement process it is impracticable to secure competition as provided in MPP Section 23-650.15, counties may secure services from a single source if it is determined that only one source exists or is willing to fulfill the contract as established through a formal, publicly advertised, pre-bid survey, or if bids have been solicited and competition is determined to be inadequate. When contracts are awarded in this manner, counties may contract with an agency that will provide both the services and the county matching funds.

To avoid any appearance of impropriety, counties must ensure sufficient documentation is retained in the event of a State audit. Invoices submitted by a non-profit organization to the County Welfare Department (CWD) should reflect total expenditures, including the value of in-kind services or items purchased with donated funds, consistent with the Terms and Conditions of the contract. As required under MPP Section 25-200, payments must be approved by a county official and fiscal records to support such transactions must be maintained.

Fiscal controls are critical since these approved expenditures represent the county share of costs that draw down the SGF share. In addition, the Terms and Conditions of the contract between the county and the non-profit organization must include an annual financial audit to validate the local match expenditures.

Any questions regarding this letter should be directed to fiscal.systems@dss.ca.gov.

Sincerely,



ERIC FUJII
Deputy Director
Administration Division

c: County Welfare Directors Association